

**UMKHANDLU WASEKHAYA
IMPENDLE
LOCAL MUNICIPALITY**



2014/15 DRAFT ANNUAL BUDGET

27 FEBRUARY 2014

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1. MAYORAL SPEECH

Introduction

Since our election into office in **May 2011** our municipality has gone through major challenges both at a political and administrative level. It is history now that the challenges escalated to the level where the Provincial Executive resolved to intervene in our affairs in terms of s139 of the constitution pre March 2006. It is also history now that the intervention in terms s139 has been lifted. It is commonly acknowledged that the intervention assisted the municipality to move towards the attainment of the objects of local government as enshrined in the constitution.

I am delighted that through hard work and dedication on the part of council members, management, staff and provincial authorities Impendle Local municipality is able to table a balanced budget and on time. Notwithstanding, it has to be acknowledged that this draft 2014/15 budget is tight. It is vulnerable to slight market changes such as fuel increases, salary and other increases.

Public Participation

We have visited all stakeholders even those in remote areas as promised in the previous budget and IDP process. Already we've had consultative meetings with all property owners on property rates as well as the IDP. The budget and tariffs will be advertised widely in the press, the website and on our notice boards. The active involvement of our ward committees in the public participation process last year was commendable. This year we have to intensify the involvement of ward committees in the budget and IDP processes as this would continue to entrench participatory democracy in our communities.

Operating Revenue and Expenditure

Revenue Property rates

- The municipality adjusted property rates upwards. This was due to the utilisation of the formulae as legislated that incorporates both the MPRA and the municipal policy.
- All rebates and other exemptions have been accounted for.
- Loan repayment and depreciation are also vital in determining the rates tariffs as computed.

Investment Revenue

- At 0.60% the municipality envisages that conditional grants will be utilised and only a small portion will be unspent in 2014/15.

Own Revenue

- VAT to be collected has been budgeted for representing 5% of total revenue.

Employee Cost

- Inflationary increments of 6.85% for officials and Councillors.
- The above percentage will incorporate the element of moving officials who have not reached their level ceilings to next notches

Finance Changes

- These relate to bank charges and are reasonably budgeted for.

Capital Budget

- Decreased as unspent conditional asset grant funding not estimated and any estimates will be adjusted for in the adjustments budget once they have been identified and approved by National Treasury.

The bulk of the operating revenue of the municipality is derived from the equitable share allocation as well as conditional grants from both national and provincial governments. The total annual operating expenditure proposed for Impendle Local Municipality for the 2014/2015 is R 43 139 913 which is 73% of the total draft annual budget of the municipality.

The following are the main operating expenditure areas:

- Staff Related Costs - R 16 762 300
- General Expenses – R 23 145 753
- Repairs and Maintenance – R 1 450 000
- Councillors remuneration - R1 781 860

Apart from staff costs our draft operating budget focuses on the implementation of the Municipal Property Rates, Provision for depreciation, Loan Repayment, Free Basic Electricity, Electrification project, Local Economic Development, Sport, Programs for the elderly, children, youth, the disabled as well as those infected or affected by HIV & AIDS.

Capital Revenue and Expenditure

The bulk of the capital revenue of the municipality is derived from the following Grants:

Municipal Infrastructure Grant allocation 2014/15 Financial year	- R 11 736 000
Electrification Grant Allocation for 2014/15 Financial year	- R 3 000 000
MIG includes 5% allocated to Project Management Unit (PMU)	
COGTA funded projects	- R Nil
Internally funded capital items for 2014/15 financial year	- R 870 000

The following is a split of budget into GFS/votes as follows:

	TOTAL BUDGET	GFS % over total budget	R 58 745 913
1	Executive and Council	10	R 4 623 019
2	Budget and Treasury	14	R 16 119 992
3	Solid Waste(Refuse)	0	R Nil
4	Corporate, Community and Social Services	11	R 11 051 038
5	Corporate Services	0	R
6	Public Safety	0	R Nil
7	Housing	1	R 871 000
8	Sports and recreation	1	R 500 000
9	Planning and development	63	R 25 580 864
10	Road Transport	0	R Nil
11	Environmental Protection	0	R Nil
12	Health	0	R Nil
13	Markets	0	R Nil
14	Tourism	0	R Nil
15	Waste Water Management	0	R Nil

Conclusion

In conclusion I wish to state that this Draft Annual Budget Speech represents as an Executive Summary of our municipality's 2014/15 to 2016/2017 Financial Years Draft Budget and captures only key factors. Details are distributed with the Draft Budget Report and it is presumed that all members of this Council have acquainted themselves with details thereof.

On behalf of the people of Impendle, I move that the Draft Annual Budget of Impendle Local Municipality for the year 2014/2015 Financial Year and the indicative draft budget for 2014/2015 and 2016/2017 Financial Years be accepted as tabled.

I thank you

2.1 Vision

2.2 Mission

3. COUNCIL MEMBERS

- HW Cllr SG Ndlela
- Cllr CD Gwala
- Cllr SL Mlaba
- Cllr NG Mvelase
- Cllr PP Mtolo
- Cllr KM Dlamini
- Cllr HT Zuma

- Mr SI Mabaso - Municipal Manager
- Mr SG Ngcobo - Manager Corporate and Community Services
- Mr ZC Tshabalala - Manager Infrastructure and Planning Services
- Mr OV Kunene – Manager Financial Services (Chief Financial Officer)

- Council adopted budget process plan in August 2013
- The Mayor established a Budget Steering Committee in terms of section 4 chapter 2 of Government Gazette No. 31804
- Management and Mayor met to compile this draft annual budget on the 13th March 2014 and again on the 18th March 2014.
- DORA allocations from both National and Provincial Treasuries were used to determine the 2014/15 allocations to Impendle LM for the draft annual budget.
- From the supplied departmental figures, an amount of more than R7m plus was cut to balance off the budget.
- Council approved the draft annual budget on the 27th March 2014

- The anticipated 2014/15 Surplus of R3m was made available to balance the 2014/15 draft annual budget.
- GFS/Standard Classification was acknowledged in the process.

- Powers and functions were used as a guiding tool
- Tariff of charges was escalated by 6% on average
- Company contribution on medical aid was calculated on SALGA's collective agreement where 60% of employee's monthly premium for medical aid is cost to employer (SAMWUMED scheme price list was used as a bases for calculating budgeted figures for cost of medical allowance granted to staff members in terms of Basic Conditions of Employment Act)
- Draft operating expenditure budget for 2014/15 was drawn up based on the zero budget and budget incremental approach. The capital draft budget was drawn up on the gazetted allocations by both National and Provincial Treasuries and the zero based budget approach. Section 57 salaries were increased by the cost of living inflationary increment applicable to permanent staff employees with effect from 01 July 2014. This is a pattern following the directive from Bargaining Council.

7. FOCUS AREAS

The draft annual budget focuses on the following priorities as identified in the IDP:

- Implementation of Municipal Property Rates Act
- Upgrading or construction of Access Roads
- Improvement of Public participation
- Support for Local Economic Development initiatives
- Provision of Free Basic Services
- Development of Human Capital (internally within the municipality and externally in partnership with the Dept of Education and other relevant Stakeholders)
- Upgrading of information and communication systems (internally in the municipality and externally through service providers)
- Electrification Programme
- Construction of Impendle Mill
- Small Town Rehabilitation

8. EXECUTIVE SUMMARY OF A BALANCED ADJUSTED BUDGET FOR THREE CONSECUTIVE YEARS

	2014/2015	2013/2014	2012/13
REVENUE			
Unspent grant received from previous years		246 000	1 881 287
Equitable Share Grant	28 057 000	20 741 000	23 775 000
Government Grant Reserve Fund	1 442 870	2 034 000	1 300 000
Conditional Grants	19 425 000	42 550 000	24 001 000
Property Rates and other income	6 821 043	3 727 000	2 178 258
Contribution from surplus of preceding year	3 000 000	2 809 000	2 060 486
Total Revenue	58 745 913	72 107 000	53 896 031
EXPENDITURE			
Salaries and Allowances	16 762 300	13 873 000	13 159 826
General Expenses	23 145 753	17 711 000	16 212 424
Councillors Remuneration	1 781 860	1 671 000	1 485 398
Repairs and Maintenance	1 450 000	646 000	1 396 375
Capital Expenditure	15 606 000	38 206 000	21 642 008
Total Expenditure	58 745 913	72 107 000	53 896 031
Surplus/Deficit	0	0	0

NB: The draft annual budgeted Operating Expenditure (OPEX) for 2014/15 financial year amount to R 43 139 913, 00.

9. DoRA ALLOCATIONS FOR 2014/15 FINANCIAL YEAR

Finance Management Act grant-FMG	1 800 000
Municipal System Improvement Grant-MSIG	934 000
Equitable Share-ES (after adjusting for R5m withdrawn)	28 057 000
Municipal Infrastructure Grant-MIG	11 736 000
Library Grant	535 000
Library Services-Cybercadet	126 000
EPWP	1 294 000
National Electrification	3 000 000
Total	47 482 000

10. DRAFT ANNUAL BUDGET RESOLUTIONS

To be attached as an extract from Council Minutes of a meeting to be held on 27th March 2014.

11. TARIFF OF CHARGES

	Unit(s)	2014/15	2013/14	2012/13
Rates Certificate	Each	R110.00	R100.00	R95.00
Graveyards	Grave Site	R77.70	R77.70	R74.00
Hall Hire	Hour	R114.95	R104.50	R95.00
Refuse	Government Residential Business	R1835.68 R469.41 R1829.52	R1639.00 R438.70 R1633.50	R1485pa R410pa R1490pa
Thusong Conference Hall Hire	Hour	R174.62	R134.2	R122.00
Library copies	Per a4 page	R1.00	R1.00	R1.00
Library-Printing	Per Copy	R2.50	R2.50	R2.50
Library-Faxing to local	Per Page	R5.00	R5.00	R4.50
Library-Faxing to outside 033 code	Per Page	R6.50	R6.50	R6.50
Rates-Residential	Cents	R0.009801	R0.012	R0.011
Rates-Farmland		R0.002450	R0.003	R0.002
Rates-Small Holdings		R0.002450	R0.003	R0.002
Rates-Industrial		R0.009801	R0.012	R0.011
Rates-Commercial		R0.009801	R0.012	R0.011
Rates-Multipurpose		R0.009801	R0.012	R0.011
Rates-State Owned		R0.009801	R0.005	R0.004
PSI Properties		R0.002450	R0.005	R0.004
Tenders Fees	Per Document	R402.50	R350.00	R250.00
Billboards	Per Quarter	RNil	RNil	RNil
Lot 52 Room Rental	Per Month	R726.00	R660.00	R600.00
Market stalls	Small monthly	R117.70	R110.00	R100.00
	Medium monthly	R129.47	R121.00	R110.00
	Large monthly	R164.78	R154.00	R140.00
Taxi Permits	Per taxi per annum	R492.80	R440.00	R400.00
TLB Hire	Hour	R629.64	R629.64	R594.00
Tractor Hire	Hour	R157.30	R148.40	R140.00
Thusong Services Centre rental	Square Meter	R96.80	R88.00	R80.00

12. FUNCTIONAL DRAFT ANNUAL BUDGETS & SDBIP'S

The Draft Service Delivery and Budget Implementation Plan (SDBIP) will be tabled to the Mayor 14 days after draft annual budget approval

13. ANALYSIS SUPPORTING THE DRAFT ANNUAL BUDGET

Departments	Draft Annual Budget
Executive and Council Services	R 4 623 019
Planning and Infrastructure Services	R 26 451 864
Corporate and Community Services	R 11 551 038
Financial Services	R 16 119 992
TOTAL	R 58 745 913

14. FISCAL OVERVIEW

In order to counter the ever rising inflation rate we have either decreased or increased the municipal revenue and expenditure accordingly. Property rates and tariffs have increased using the legislated formulae incorporating the necessary MPRA Section 17 rebates and the municipal policy deductions as reviewed. The municipality does anticipate conditional grants that would not be spent by the end of June 2014. These can be the National electrification, MIG, Small Town Rehabilitation and Corridor funds. The necessary roll-over applications will be done should the municipality be in a position not to spend all its conditional grants before 31 August 2014. The necessary adjustments will be catered for in the adjustments budget once the outcome is known from National Treasury in relation to the anticipated rollovers. Stringent measures need to be undertaken by the municipality to curb any possible withdrawals as well as expedite service delivery to the community of Impendle.

15. INVESTMENTS

Conditional grant funds are invested on call accounts and utilised when required. Currently Call accounts have been opened with ABSA, Standard Bank and NED Bank to keep each and every conditional grant separately from the municipal primary account. All receipts and payments are made to and from the municipal primary account. These will be closed off on the 30th June 2014. And should there be unspent conditional grants by the 1st July 2014. New call accounts will be opened with the financial institutions offering a better rate of interest.

No	Bank	Account Number
1	NedBank	037881012463000021
2	Standard Bank	636864901
3	Standard Bank	636863484
4	Standard Bank	636863476
5	Standard Bank	258541326-004
6	ABSA	9280671957
7	ABSA	9286205518
8	ABSA	9287282125
9	ABSA	9287813716
10	ABSA	9286914797
11	NedBank	037881012463000023
12	NedBank	037881012463000024
13	NedBank	037881012463000025
14	NedBank	037881012463000026
15	NedBank	037881012463000027
16	NedBank	037881012463000028

16. DRAFT ANNUAL BUDGET & REVENUE RELATED POLICIES AND PROCEDURES

The following policies were presented to council for review on 27th March 2014 where council took a resolution and approved the financial policies which are as follows:

- Assets Management Policy
- Credit Control and Debt Collection Policy
- Indigent Policy
- Banking and Investment Policy
- Supply Chain Management Policy
- Tariff Policy

- Subsistence and Travelling
- Budget Policy
- Anti- Corruption Policy
- Petty Cash Policy
- IT Policy
- Accounting Policy
- Rates Policy
- Write-Off's Policy
- Virement Policy

17. COUNCILLOR SALARIES

Councillor	Annual Package	Cell Phone Allowance	Mobile Data Card	Total Remuneration
Mayor (Ndelela SG)	362 118	22 297	3 600	388 015
Dlamini KM	197 281	22 297	3 600	223 749
Gwala CD	197 281	22 297	3 600	223 749
Mlaba SL	253 482	22 297	3 600	279 380
Mvelase NG	197 281	22 297	3 600	223 180
Mtolo PP	197 281	22 297	3 600	223 180
Zuma HT	197 281	20 868	3 600	221 749
TOTAL	1 602 007	154 453	25 200	1 781 860

Councillor's salaries were calculated by utilising packages obtainable from latest Notice issued by the Minister of Provincial and Local Government in January 2014. These allowances have taken into effect the 6,85% inflationary increase.

18. SECTION 57 EMPLOYEES PACKAGES

Position	Draft S55 & S56 Annual Packages
Municipal Manager	805 180
Manager Financial Services (CFO)	748 618
Manager Infrastructure & Planning	642 076
Manager Corporate & Community	642 076
Total	2 837 947

Sec54 and Sec56 employee draft salaries were budgeted at inflationary increment of 6,85% and should be subsequently approved by Council on the 27th March 2014.

19. NATIONAL REPORTING FORMS TO SUPPORT THE BUDGET

Circular 70 forms are all attached herewith.

20. WAY FORWARD

The municipality has to intensively embark on a program to improve its revenue. At present the municipality is largely funded by grants received from Provincial & National transfers. The implementation of the Municipal Property Rates Act is costing the Municipality more money than what the municipality can collect.

21. CLOSURE

Impendle Local Municipality has critical resource constraints which if not addressed may strain the administration of the municipality in the short term.

I thank you

22. ANNEXURES

Item Number	Item
1	Draft Annual Budget Analysis with Mayoral Speech
2	Circular 70 budget templates (N/A)
3	Draft Annual Budget related Council Resolutions – once adopted
4	Draft Annual Budget Quality Certificate - once adopted
5	Draft Annual Budget Schedules
6	Draft Annual Service Delivery and Budget Implementation Plans (to be tabled to Mayor after Council approval)
7	Electronic and hardcopy versions of above schedules and annexure's